

Nankin Transit Commission

**Financial Report
with Supplemental Information
June 30, 2008**

Nankin Transit Commission

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Independent Auditor's Report

To the Board of Commissioners
Nankin Transit Commission

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Nankin Transit Commission as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Nankin Transit Commission as of June 30, 2008 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 17, 2008

Nankin Transit Commission

Management's Discussion and Analysis

Our discussion and analysis of Nankin Transit Commission's (the "Commission") financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Commission's financial statements.

Using this Financial Report

The General Fund is presented on the modified accrual basis of accounting, which is a short-term view that tells us how the resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full accrual basis to present a longer-term view of the Commission as a whole. This longer-term view uses the full accrual basis of accounting so that it can measure the true cost of providing services during the current year and whether the resources have funded the full cost of providing Commission services.

The General Fund modified accrual basis financial statements provide detail information about the Commission's current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the Commission's annual grant revenues and other revenue.

The Commission's full accrual basis financial statements present information about the Commission's total economic resources, including long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Commission on an ongoing basis.

Condensed Financial Information (Full Accrual Basis)

The following tables show key financial information in a condensed format:

	2008	2007
Assets - Current	\$ 132,362	\$ 83,280
Liabilities		
Current liabilities	149,891	105,591
Long-term liabilities (Note 5)	76,096	145,000
Total liabilities	225,987	250,591
Net Assets (Deficit) - Unrestricted	\$ (93,625)	\$ (167,311)

Nankin Transit Commission

Management's Discussion and Analysis

	2008	2007
Revenue		
SMART	\$ 661,398	\$ 654,230
Tickets, farebox, and other	109,073	99,690
Locally raised	178,000	178,000
Total revenue	948,471	931,920
Expenditures	874,785	828,990
Change in Net Assets	\$ 73,686	\$ 102,930

The Commission's net asset deficit was reduced 44 percent from a year ago - decreasing from \$167,311 to \$93,625. This decrease is due to aggressive cost-cutting efforts. The Commission has decreased the number of drivers and the number of buses running, resulting in a decrease in wages. The Commission also renegotiated union contracts which resulted in lower healthcare costs.

Contacting the Commission's Management

This financial report is intended to provide our citizens and customers with a general overview of the Commission's activities and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Commission directly at (734) 729-2720 or by mail at 37137 Marquette, Westland, MI 48185.

Nankin Transit Commission

Balance Sheet/Statement of Net Assets (Deficit) June 30, 2008

	General Fund	Adjustments (Note 2)	Statement of Net Assets (Deficit)
Assets			
Cash (Note 3)	\$ 71,314	\$ -	\$ 71,314
Accounts receivable:			
SMART	54,451	-	54,451
Third party	5,250	-	5,250
Prepaid expenses	<u>1,347</u>	<u>-</u>	<u>1,347</u>
Total assets	<u>\$ 132,362</u>	-	132,362
Liabilities			
Accounts payable	\$ 8,367	-	8,367
Accrued payroll and payroll taxes	7,524	-	7,524
Advance from SMART (Note 4)	<u>134,000</u>	<u>-</u>	<u>134,000</u>
Total current liabilities	149,891	-	149,891
Compensated absences	<u>-</u>	<u>76,096</u>	<u>76,096</u>
Total liabilities	149,891	76,096	225,987
Fund Deficit/Net Assets (Deficit) -			
Fund deficit - Unreserved	<u>(17,529)</u>	<u>17,529</u>	<u>-</u>
Total liabilities and fund deficit	<u>\$ 132,362</u>		
Net Assets (Deficit) - Unrestricted		<u>\$ (93,625)</u>	<u>\$ (93,625)</u>

Nankin Transit Commission

Statement of Revenue, Expenditures, and Changes in Fund Deficit/Statement of Activities Year Ended June 30, 2008

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
SMART (Note 4):			
General Fund subsidy	\$ 273,000	\$ -	\$ 273,000
Community credits	224,363	-	224,363
Municipal credits	164,035	-	164,035
Total SMART	661,398	-	661,398
Locally raised	178,000	-	178,000
Tickets, passes, farebox receipts, and other	109,073	-	109,073
Total revenue	948,471	-	948,471
Expenditures			
Administrative	175,708	10,724	186,432
Dispatch/Clerical	146,043	1,126	147,169
Vehicle operation	493,127	7,497	500,624
Fixed facilities	18,600	-	18,600
SMART-incurred (Note 4)	21,960	-	21,960
Total expenditures	855,438	19,347	874,785
Excess of Revenue Over Expenditures	93,033	(19,347)	73,686
Fund Deficit/Net Assets (Deficit) - July 1, 2007	(110,562)	(56,749)	(167,311)
Fund Deficit/Net Assets (Deficit) - June 30, 2008	<u>\$ (17,529)</u>	<u>\$ (76,096)</u>	<u>\$ (93,625)</u>

Nankin Transit Commission

Notes to Financial Statements June 30, 2008

Note I - Significant Accounting Policies

The accounting policies of Nankin Transit Commission (the "Commission") conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the significant accounting policies used by the Commission:

Reporting Entity

Under an interlocal public agency agreement between the Cities of Garden City, Inkster, Wayne, and Westland, the Commission functions as an intergovernmental organization for the purpose of providing for the operation, management, financing, and planning of local and specialized transit services in the participants' areas.

The Commission is governed by an eight-member board; each member municipality appoints two members. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Commission's basic financial statements include both government-wide (reporting the Commission as a whole) and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets (deficit) includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Buses used in the operations are provided by SMART and, therefore, are not recorded on the books of the Commission.

Nankin Transit Commission

Notes to Financial Statements June 30, 2008

Note I - Significant Accounting Policies (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available for financial expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Commission.

Indirect costs were not allocated to the Commission during the year ended June 30, 2008.

The Commission reports the following major governmental fund:

- The General Fund contains the records of the ordinary activities of the Commission. General Fund activities are financed by revenue from SMART, member communities, and individual system users.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Nankin Transit Commission

Notes to Financial Statements June 30, 2008

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund deficit and the net change in fund deficit of the Commission's governmental fund differ from net assets (deficit) and change in net assets (deficit) of the governmental activities reported in the statement of net assets (deficit) and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets (deficit) and statement of activities versus the economic focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund deficit. The following are reconciliations of fund deficit to net assets (deficit) and the net change in fund deficit to the net change in net assets (deficit):

Total Fund Deficit - Modified Accrual Basis	\$ (17,529)
Amounts reported in the statement of net assets (deficit) are different because compensated absences are included as a liability	<u>(76,096)</u>
Total Net Assets (Deficit) - Full Accrual Basis	<u>\$ (93,625)</u>
Net Change in Fund Deficit - Modified Accrual Basis	\$ 93,033
Amounts reported in the statement of activities are different because of an increase in the accrual for compensated absences, which is only reflected in the full accrual statements	<u>(19,347)</u>
Change in Net Assets (Deficit) of Governmental Activities - Full Accrual Basis	<u>\$ 73,686</u>

Note 3 - Cash

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Nankin Transit Commission

Notes to Financial Statements June 30, 2008

Note 3 - Cash (Continued)

The Commission has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in instruments approved by the state statutory authority as listed above.

The Commission's cash is subject to the following risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At year end, all of the Commission's bank deposits (checking and savings accounts) were insured and collateralized. The Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - SMART Contract

Under the terms of a purchase of service contract entered into between Nankin Transit Commission and SMART, SMART has agreed to provide, among other things, certain equipment, vehicles, and technical assistance necessary to provide public transportation services within a specified area. The contract attributable to the fiscal year ended June 30, 2008 provides for an annual subsidy of \$661,398, including direct payments by SMART of certain operating costs on behalf of the Commission. This contract has been extended to June 30, 2009.

The direct payments for 2007-2008 were as follows:

Administration	\$ 8,202
Vehicle maintenance	<u>13,758</u>
Total	<u>\$ 21,960</u>

Under the contract, the Commission has also received a working capital advance of \$145,000 from SMART. The Commission has made \$11,000 in payments, leaving the balance of \$134,000 to be paid in future years. The total advance is repayable at the contract expiration date if not renewed at that time. The advance has been extended to June 30, 2009.

Nankin Transit Commission

Notes to Financial Statements June 30, 2008

Note 5 - Long-term Debt

The Commission's long-term debt is comprised entirely of vested sick and vacation pay totaling \$76,096. During the year, this balanced increased by \$19,347 as additional time was earned by employees net of time used. The vested sick and vacation pay represents the estimated liability to be paid employees under the Commission's sick and vacation pay policy. Under the Commission's policy, employees earn sick and vacation time based on time of service with the Commission.

Note 6 - Lease Agreement

The Commission leases office space under a renewable agreement. Rent expense for the year ended June 30, 2008 was \$15,000. The future minimum lease payments are as follows:

Years Ending June 30	Amount
2009	\$ 15,000
2010	15,000
Total	<u>\$ 30,000</u>

Note 7 - Budget Information

The annual budget is prepared by the director and adopted by the Board of Commissioners; subsequent amendments are approved by the Board of Commissioners. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. The budget was not amended during the current year.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that locally raised revenues are budgeted as an other financing source (rather than as a revenue). The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Adopting a budget resulting in a fund deficit is also a violation of Michigan law. For the year ended June 30, 2008, the Commission experienced significant budget overruns in dispatch fringe benefits, administrative fringe benefits, and fuel costs.

Nankin Transit Commission

Notes to Financial Statements June 30, 2008

Note 7 - Budget Information (Continued)

The General Fund had a fund deficit of \$17,529 at June 30, 2008. The Commission continues to explore both cost-cutting measures and alternative sources of funding to eliminate this deficit in the future. Additional possible funding sources include increased financial assistance from SMART and participation by new local units of government.

Note 8 - Defined Contribution Pension Plan

The Commission provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Commission contributes 3 percent to 5 percent of employees' gross earnings for each employee who enrolls in the plan.

The current year contribution was calculated based on covered payroll of \$431,121, resulting in an employer contribution of \$14,663.

Required Supplemental Information

Nankin Transit Commission

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
SMART:				
General Fund subsidy	\$ 273,000	\$ 273,000	\$ 273,000	\$ -
Community credits	208,428	208,428	224,363	15,935
Municipal credits	164,035	164,035	164,035	-
Total SMART	645,463	645,463	661,398	15,935
Tickets, passes, farebox receipts, and other	136,000	136,000	109,073	(26,927)
Total revenue	781,463	781,463	770,471	(10,992)
Expenditures				
Administrative	174,251	174,251	175,708	(1,457)
Dispatch/Clerical	120,123	120,123	146,043	(25,920)
Vehicle operation	602,939	602,939	493,127	109,812
Fixed facilities	18,600	18,600	18,600	-
SMART-incurred	43,550	43,550	21,960	21,590
Total expenditures	959,463	959,463	855,438	104,025
Excess of Expenditures Over Revenue	(178,000)	(178,000)	(84,967)	93,033
Other Financing Sources - Locally raised	178,000	178,000	178,000	-
Excess of Revenue and Other Financing Sources Over Expenditures	-	-	93,033	93,033
Fund Deficit - July 1, 2007	(110,562)	(110,562)	(110,562)	-
Fund Deficit - June 30, 2008	<u>\$ (110,562)</u>	<u>\$ (110,562)</u>	<u>\$ (17,529)</u>	<u>\$ 93,033</u>

Nankin Transit Commission

Required Supplemental Information Budgetary Comparison Schedule - Expenditures - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Administrative				
Salaries	\$ 113,069	\$ 113,069	\$ 108,834	\$ 4,235
Fringe benefits	37,882	37,882	46,243	(8,361)
Equipment rental	500	500	490	10
Legal fees	3,000	3,000	2,400	600
Accounting/Payroll	10,000	10,000	10,450	(450)
Supplies	1,800	1,800	899	901
Travel	2,000	2,000	1,732	268
Unfunded capital	1,500	1,500	462	1,038
Telephone	2,000	2,000	1,200	800
Fees for seminars and meetings	1,500	1,500	1,420	80
Miscellaneous	1,000	1,000	1,578	(578)
Total administrative	174,251	174,251	175,708	(1,457)
Dispatch/Clerical				
Salaries and wages	90,400	90,400	82,928	7,472
Fringe benefits	25,872	25,872	58,480	(32,608)
Telephone	2,400	2,400	2,834	(434)
Radio maintenance	51	51	-	51
Office supplies	1,400	1,400	1,801	(401)
Total dispatch/clerical	120,123	120,123	146,043	(25,920)
Vehicle Operation				
Salaries and wages	337,800	337,800	226,499	111,301
Fringe benefits	155,989	155,989	150,572	5,417
Uniform allowance	1,100	1,100	1,093	7
Gasoline	51,500	51,500	59,013	(7,513)
Vehicle supplies	300	300	390	(90)
Insurance	56,250	56,250	55,560	690
Total vehicle operation	602,939	602,939	493,127	109,812
Fixed Facilities				
Rent	15,000	15,000	15,000	-
Building maintenance	3,600	3,600	3,600	-
Total fixed facilities	18,600	18,600	18,600	-
SMART-incurred				
Administration	19,200	19,200	8,202	10,998
Vehicle maintenance	24,350	24,350	13,758	10,592
Total SMART-incurred	43,550	43,550	21,960	21,590
Total General Fund expenditures	<u>\$ 959,463</u>	<u>\$ 959,463</u>	<u>\$ 855,438</u>	<u>\$ 104,025</u>

Nankin Transit Commission

Report to the Board of Commissioners

June 30, 2008

To the Board of Commissioners
 Nankin Transit Commission

We have recently completed our audit of the basic financial statements of the Nankin Transit Commission (the "Commission") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, recommendations, and informational comments which impact the Commission:

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Required Audit Communication of Significant Findings	3-5
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We are grateful for the opportunity to be of service to the Nankin Transit Commission. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 17, 2008

October 17, 2008

To the Board of Commissioners
Nankin Transit Commission

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Nankin Transit Commission's (the "Commission") financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Commission as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal controls over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

October 17, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We identified the following deficiency that we consider to be a material weakness, as defined above.

- Significant audit adjustments were required to the accounting records of the Commission in order for the financial statements to be in compliance with generally accepted accounting principles.

We would like to thank Dick Fernandez and the Commission staff for the cooperation extended to us during the audit.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a large, stylized loop at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller", with a large, stylized loop at the end.

Brian J. Camiller

October 17, 2008

To the Board of Commissioners
Nankin Transit Commission

We have audited the financial statements of Nankin Transit Commission (the "Commission") for the year ended June 30, 2008 and have issued our report thereon dated October 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 25, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Commission. Our consideration of internal controls was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on June 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates included in the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

The general ledger was not balanced at the time we began the audit. Significant adjustments were required so that the financial statement balances were complete and accurate.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated October 17, 2008.

October 17, 2008

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Commission, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Commission's auditors.

This information is intended solely for the use of the Board of Commissioners and management of Nankin Transit Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a stylized flourish at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller", with a large, stylized "B" and "C".

Brian J. Camiller

Other Recommendations

Fund Deficit and SMART Liability

As of June 30, 2007, the Commission's General Fund had an accumulated deficit of approximately \$111,000. During the past year, through aggressive cost cutting and continuous monitoring of the budget, the Commission has successfully reduced this deficit to approximately \$18,000. This is fantastic progress and we strongly encourage you to continue deficit elimination.

In addition, the Commission has begun paying back an advance from SMART from a previous year. The outstanding balance decreased from \$145,000 to \$134,000 during the year ended June 30, 2008. The Commission had the financial ability to make these payments because of the cost cutting mentioned above.

Segregation of Duties

Due to the size of the Commission, we realize that achieving the optimal level of segregation of duties is difficult. A strong system of internal controls separates the custody and recordkeeping functions surrounding cash receipts and disbursements. In the Commission's system design, the same person who prepares the checks can also post journal entries and prepare the bank reconciliation. This is a rather weak internal control system; however, when a limited number of people are available in which to assign these functions, maintaining the internal controls becomes more challenging.

We would like to take this opportunity to remind you of the importance of maintaining offsetting controls in your system, and the Commission's role in internal control. We have highlighted some of the procedures that we feel are an important element of your internal control system:

- Board review and authorization of expenditures is a key control in your cash disbursement system.
- Two signatures are currently required on checks written by the Commission. Although the bookkeeper is an authorized check signer, this provides an opportunity for someone outside the accounting function to review disbursements before they are made.
- Fare box receipts are turned in to an individual outside the accounting function. The receipts are signed by the driver and the employee receiving the funds. The receipts are then turned over to the accounting department for deposit and recordkeeping. These procedures, in conjunction with the drivers' passenger logs, provide a cross-check to verify the receipts.